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W&GR Wilson Sonsini Goodrich & Rosati
PROFESSIONAL CORPORATION

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San Francisco, CA 94105-1126

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PHONE 415.947.2000

FAX 415.947.2099

www.wsg.com

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AZ CORP COMMISSION
DOCKET CONTROL

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street, Suite 108
Phoenix, Arizona 85007

Re: Docket No. RE-00000A-07-0608

Docket Control Center:

Enclosed please find an original and 13 copies of the Reply Comments of the Interstate Renewable Energy Council on the Commission's Proposed Net Metering Rules in Docket No. RE-00000A-07-0608.

Thank you for your attention.

Sincerely,

Kevin T. Fox,

Attorney for the Interstate Renewable Energy Council

Wilson Sonsini Goodrich & Rosati
One Market Street
Spear Tower, Suite 3300
San Francisco, CA 94105
Phone: (415) 947-2042
Fax: (415) 947-2099

Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

Docket No. RE-00000A-07-0608

In the Matter of Proposed Rulemaking)
Regarding Net Metering Rules)
) COUNCIL

The Interstate Renewable Energy Council ("IREC") respectfully submits the following Reply Comments regarding Arizona Corporation Commission ("Commission") Decision No. 70194, which establishes proposed net metering rules for Arizona ("Proposed Net Metering Rules").¹ At the outset, IREC would like to reiterate its appreciation for the time spent by the Commission and its staff in putting forward the Proposed Net Metering Rules.

REPLY COMMENTS

The Electric Cooperatives, in their May 20, 2008 Comments, raise a number of issues regarding Net Metering Facility capacity limits. Although these issues received a full and fair vetting during the Commission's March 11, 2008 open meeting, IREC would like to briefly respond to some of the issues raised by the Electric Cooperatives.

The Commission's Proposed Net Metering Rules allow Net Metering Facilities to be sized up to 125% of a Net Metering Customer's total connected load.² The Electric Cooperatives have raised the concern that most of their customers do not have demand meters; therefore, total connected load will need to be estimated, which the Electric Cooperatives claim can be an involved and difficult process.³

Setting aside the elusive connection between the existence of a demand meter and the ability to measure total connected load, IREC believes the Proposed Net Metering Rules adequately address the issue raised by the Electric Cooperatives. The Proposed Rules state that in

¹ Proposed Net Metering Rules R14-2-2301 through R14-2-2308

² Proposed Net Metering Rule R14-2-2302(M)(4)

³ Electric Cooperatives' Comments, page 3, line 23 through page 4, line 1

the absence of customer load data eligibility for net metering may be limited to systems with a "capacity less than or equal to the Customer's electric service drop capacity."⁴ Therefore, if estimating total connected load proves to be overly involved and difficult, the Proposed Rules appear to allow Electric Cooperatives to limit net metering eligibility to customers with systems sized below their service drop capacity.

IREC does not agree that a lack of demand meters or any difficulty in estimating total connected load necessitates a limitation of system size to a percentage of "peak demand" as the Electric Cooperatives have suggested. Given that most Electric Cooperative customers lack a demand meter, it is difficult to understand how peak demand would be any easier to measure than total connected load. In addition, although the Electric Cooperatives claim that estimating total connected load can be involved and difficult, it appears that they regularly undertake such estimations in designing their distribution systems. In their comments, the Electric Cooperatives state that "most electric utilities including Electric Cooperatives design/size their distribution systems based on 100 percent of the customer's total connected load."⁵ It would therefore appear that the Electric Cooperatives have ample experience with this sort of estimation.

The Electric Cooperatives have also expressed a concern that "net metering systems should be sized to meet the customer's load and that customers should not be incented to over-size their distributed generation ('DG') system." IREC agrees, but believes this issue is also adequately addressed in the Commission's Proposed Net Metering Rules. The Proposed Rules state that a Net Metering Facility must be "intended primarily to provide part or all of the Net Metering Customer's requirements for electricity." IREC understands this limitation to mean that only systems that are sized to meet a customer's load qualify for net metering.

⁴ Proposed Net Metering Rule R14-2-2302(M)(4)

⁵ Electric Cooperatives' Comments, page 4, lines 17 to 19

IREC does not agree with the Electric Cooperatives' suggestion that an over-sized system is one that is able to provide electricity to a utility on a regular, net basis.⁶ To the contrary, IREC understands net metering as a policy that is intended to accommodate such exports. According to the Commission's Proposed Net Metering Rules:

"Net Metering" means service to an Electric Utility Customer under which electric energy generated by or on behalf of that Electric Utility Customer from a Net Metering Facility and delivered to the Utility's local distribution facilities may be used to offset electric energy provided by the Electric Utility to the Electric Utility Customer during the applicable billing period.⁷

In other words, net metering is intended to compensate distributed generation system owners for electricity provided to a utility on a regular, net basis. If system sizes were limited such that they were unlikely to export energy, there would be no need for net metering.

Although IREC fully supports the Commission's decision to require avoided cost payments for annual net excess generation, the most appropriate means to address concerns about incentives for over-sizing of systems would be to remove avoided cost payments for annual excess or, in the alternative, direct such payments to low-income assistance programs. Limiting system size to a percentage variant of peak demand, as the Electric Cooperatives have suggested, would not prevent a system from being an annual net exporter and may well produce the unintended consequence of preventing Arizonans from sizing on-site renewable generation to meet on-site needs.

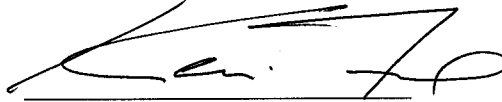
CONCLUSION

IREC appreciates the opportunity to file these Reply Comments and looks forward to appearing before the Commission and answering any questions the Commission may have at the public comment proceeding on June 5, 2008.

⁶ Electric Cooperatives' Comments, page 4, lines 4 to 7

⁷ Proposed Net Metering Rule R14-2-2302(K)

Respectfully submitted,
May 27, 2008

A handwritten signature in black ink, appearing to read "Kevin T. Fox", written over a horizontal line.

Kevin T. Fox,

Attorney for Interstate Renewable Energy Council